

**Government Reform & Restructuring Commission  
Consolidation of Shared Services Subcommittee**

General Assembly Building-House Room C  
August 27, 2010- 12:30 pm

Meeting Attendees: Ron Tillett, Secretary Ric Brown, Alexandra Liddy Bourne, Michelle Jenkins, Jack Rust  
Commission Senior Advisors: Bill Leighty

Opening

The meeting was called to order by Committee Chair Ron Tillett at 12:45. Mr. Tillett noted that two committee members were in traffic behind a chemical spill and the committee would begin hearing presentations but would delay any votes until there was a quorum present. The Chairman asked the Committee to adopt the attached underlying guiding principles under which major recommendations would be considered.

Presentations

**Consolidating the Administration of Certain Taxes – Acting Tax Commissioner Craig Burns**

- Commissioner Burns outlined the initial assessment requested by the Committee on possible taxes collected by state agencies that could be consolidated within a single organization/Department of Taxation. The summary of the Tax Department's findings and recommendations to the committee are outlined below:

Summary of Recommendations		
Agency	Tax	Recommendation
ABC	Wine, Beer, Distilled Spirits, Carrier's Mixed Beverages	Include transfer of tax administration as part of privatization
DMV	Fuels, Road Use, IFTA	No change
DMV	Motor Vehicle Rentals	Transfer to TAX provided that funding source for costs is identified
DMV	Manufactured Homes	Study costs and impact on manufactured home industry and financing institutions
SCC	Insurance Premium	Enact legislation to allow TAX to provide "back office" services
SCC	Electric & Natural Gas Consumption	No change
VEC	Unemployment Insurance	<ul style="list-style-type: none"><li>• Transfer delinquent tax collection</li><li>• Comprehensive study of transferring administration of UI tax</li></ul>
VITA	Prepaid Wireless E-911 Fee	<ul style="list-style-type: none"><li>• Transfer collection;</li><li>• Study changing distribution &amp; Board</li></ul>

- Comments: Mr. Tillett thanked the Tax Department for the significant amount of work and asked about efficiencies associated with the fuels tax collection process. Mr. Burns explained the Tax did not look at that, but could in the future. Mr. Leighty suggested it might make sense to transfer the fuels tax collection process from the Department of Motor Vehicles to Tax since DMV was in the process of examining a new tax collections system, to which Mr. Burns noted it was something that could be examined. Mr. Tillett asked if the State Corporation Commission used some of their revenues for enforcement, which Mr. Burns noted probably occurs, specifically for IT services. Mr. Tillett asked if on the unemployment tax, business identifying information in other collections is the same, as consistency is important. Mr. Burns noted there was some identical information collected. Secretary Brown asked about employee ID numbers, which Mr. Burns noted was not consistent. Mr. Tillett asked about the purpose of E911 Board at VITA, which Mr. Burns noted distributes the tax, but the Board could either move to Tax or be eliminated and supplanted with a formula. Mr. Von Moll, the State Comptroller who serves on the Board, noted they also administer a grant program. Mr. Leighty noted the need to look at all collections in an enterprise view and the committee should at least set the table to move there. Mr. Tillett recommended the committee through Tax re-examine taxes not recommended to consolidate in the future. Mr. Leighty suggested the possible combination of the E911 Board with other communication tax boards.

#### **Non-Tax Debt Collections – David Von Moll, State Comptroller**

- Mr. Von Moll outlined the current state of collections. He made the following recommendations:
- Establish a comprehensive new statewide OCA contract to collect receivables of less than \$3,000 that are 60 days past due (Code § 2.2-4806 C.)
    - Leverage multiple OCAs to encourage competition
    - Establish risk-scoring techniques to determine collectability and adjust assignments based on performance
    - Vary fees according to collectability determination
    - Employ secondary OCA assignments
    - Implement benchmarks and performance-based scorecard to evaluate and monitor OCA effectiveness
  - Expand active collection of written-off debt
    - Currently typically subject to passive collections action through tax refund/vendor payment offset
    - Match written-off inventory against a skip trace and/or employment source on a recurring basis
  - Expand initial case assignment criteria beyond days delinquent and dollar amount
    - Increase the flexibility of the thresholds for assignment to the Attorney General's Division of Debt Collection and OCAs established by the Debt Collection Act (Code § 2.2-4806)
    - Expand the assignment criteria to include other factors such as debtor/debt type, employer/bank information availability, type of business, times in collection
  - Authorize administrative wage, property and bank levies

- Utilize the legal authority and tools available for tax obligations including the authority to generate administrative levies without having a judgment in place
- Extend professional license revocation
  - Extend statutory authority currently available to DSS Child Support Enforcement to prevent debtor's professional licenses from being renewed and/or revoke outstanding professional licenses
- Mandate the currently optional policy to require collection fees to be charged to debtors
- Consolidate non-tax delinquent debt collection resources/functions into a single entity:
  - Reduce redundancy by centralizing common collection functions
  - Establish single point of contact for debtors
  - Streamline and standardize collections workflow processes
  - Facilitate efficiencies through economies of scale
  - Consider merits of outsourcing all or part of shared service center operations
- Implement a single collection case management system
  - Leverage cash management workflow and correspondence engines and decision analytics tools
  - Offer web-enabled services for debtors and other stakeholders
- Improve information sharing and access
  - Integrate systems environment to securely share demographic, skip trace, bankruptcy and other information from internal and external sources using a data warehouse
  - Identify and resolve internal/external data privacy and security issues

Comments: Mr. Leighty asked if professional license revocation has been tried elsewhere. Mr. Von Moll noted it had and Virginia currently has this available for DSS child support enforcement. Mr. Leighty also asked about federal treasury offset for non-tax. Mr. Von Moll noted that Virginia was currently doing enrolled for tax, but will examine the non-tax program.

#### **E-Commerce – David Von Moll, State Comptroller**

➤ Mr. Von Moll provided an overview of disbursements. He made the following recommendations:

- Increase emphasis on Electronic Data Interchange (EDI) enrollment in eVA vendor registration
- Automated EDI enrollment feasibility study
- Extend mandatory EDI for travel reimbursements to Board members and other non-employees
- Change eVA entry policy on confirming orders for charge card transactions under \$300

Comments: Mr. Tillett asked why the courts were not hitting their charge card payment target, which Mr. Von Moll noted might be more of an established culture issue. Mr. Leighty asked if the Commonwealth could impose a fee on vendors like we do with agencies for not using e-commerce. Mr. Von Moll noted the state does not currently have that power, but it could be written into the contracts. Mr. Tillett asked if travel payment could be integrated into payroll

payments. Mr. Von Moll said it could not be done now, but is a possibility in an enterprise system.

### **Shared Service Agency Agreements – David Von Moll, State Comptroller**

- Mr. Von Moll provided an overview of the current payroll service agreements and other possible agreements. He made the following recommendations:
  - Most agencies not currently receiving services from a shared service provider should be transitioned to the DOA Payroll Service Bureau
    - Jamestown/Yorktown Foundation, DGIF, Agriculture, Forestry, Veteran's Services, VEC, DCR, DSS, Juvenile Justice, ABC
      - Social Services may consider the merits of obtaining payroll services from Health's or Rehabilitative Service' shared services
      - Juvenile Justice may consider the merits of obtaining payroll services from Correction's shared services
  - DBHDS should consolidate payroll services supporting their 16 behavioral health institutions
  - The Virginia Community College System Office should consolidate payroll services supporting their 23 institutions
  - The seven non-decentralized institutions of higher education should consider entering into joint cooperative agreements to obtain/perform payroll services from/for one another
  - Direct the maximum use of administrative support shared service arrangements, particularly within secretarial areas where systems and operational missions are compatible.
    - Secretaries should designate an agency within their Secretariat to provide all administrative support services to small agencies (i.e., agencies with fewer than 350 FTE)
    - Administrative support services include, but is not limited to: Procurement, fiscal, human resources, and information technology security
  - In consultation with respective central service agency (i.e., DGS, DHRM, DOA, VITA) secretaries should implement comprehensive administrative service level agreements between their designated service provider agency and customer agencies
  - COV should develop a funding model for shared service arrangements and enterprise systems that:
    - Establishes internal service fund rates
    - Ensures rates charged are reasonable and justified
    - Eliminates sole reliance on general fund support for administrative services
    - Allocates costs among users in reasonable proportion to services provided by charging all users, including non-general funds, a reasonable proportion of the cost of services provided
  - COV should develop a governance framework and implement shared services supporting enterprise IT applications
    - Governance framework should allow central service agencies (i.e., Accounts, General Services, Human Resource Management, Planning and Budget, Treasury

and VITA) to fulfill statutory requirements while supporting an effective, efficient, cohesive and integrated systems environment

- Governance framework should include participation from line agency business leaders to define agency business needs and provide collaborative applications and services to agencies performing similar functions
- Governance framework should support the consolidation of information technology development and maintenance resources under a shared services environment
- All central service agencies should develop short and long-term strategies supporting these recommendations

Comments: Mr. Tillett asked how Virginia balances the control structure while achieving efficiencies. Mr. Von Moll suggested shared services should not be viewed as cost savings measures since administration has already been cut, but they do create greater controls and efficiencies. Mr. Tillett asked if the payroll services function is funded through an internal service fund. Mr. Von Moll noted that it just moved to that agreement and is the best model for others going forward. Mr. Leighty asked who should develop the strategies on governance. Mr. Von Moll noted that VITA has an enterprise applications team.

#### **Fleet Management, Fuel & Property – Rich Sliwoski, Director, Dept. of General Services**

- Mr. Sliwoski provided a summary of the previous presentation made by DGS and the recommendations they offered at that time, including bringing in more agencies to the fleet including expanding to localities. He also noted the new fuel contract is expect to achieve considerable savings estimated to be up to \$1 million statewide. He also noted that the surplus property plans requested by the Chief of Staff are due by October 1.

Comments: Mr. Leighty suggested the possibility of giving surplus property to the VRS in lieu of cash payments for them to manage. Mr. Tillett suggested that the agency should provide the inventory, but an external entity should examine what is possibly surplus. Secretary Brown noted there is currently no routine review of utilization or of when property is truly surplus. Ms. Bourne asked if this can be done administratively, which Mr. Sliwoski noted is possible. Mr. Leighty noted there is no incentive for agencies to turn property over to surplus so a private entity would be good to provide a rational evaluation. Mr. Tillett asked about vehicle acquisition, which Mr. Sliwoski noted is a statewide contract with the manufacturers.

#### **Inspector General – Jack Rust**

- Mr. Rust summarized the consolidation of the various inspectors general into one independent office as seen in other governmental structures.

#### **Recommendations**

Secretary Brown noted that the committee will receive a presentation on a possible Time, Attendance and Leave application at a future meeting. Mr. Tillett also asked that a future

recommendation involve proposals on document management based on previous presentations to the committee.

*Recommendations on consolidating the administration of certain taxes:* Adopt the recommendations presented by Tax as well as a recommendation to continue to review all taxes for consideration. Also, recommend that the Tax Department develop a second pilot project with local treasurers to ascertain the efficiency and effectiveness of local constitutional officers assisting the Commonwealth in the collection of debt.

*Recommendation on non-tax debt collections:* Adopt all recommendations as presented by the State Comptroller with these amendments. Change the Statutory and Policy Changes to may include the following four measures: expand initial case assignment criteria beyond days delinquent and dollar amount, authorize administrative wage, property and bank levies, extend professional license revocation and mandate the currently optional policy to require collection fees to be charged to debtors. Also, the following language is to be included in the recommendation on bank levies: *Administrative wage levies will be subject to the same maximum portion of disposable earnings subject to levy as contained in Virginia Code § 8.01-512.3 for wage garnishments.* Finally, the committee recommends the Department of Accounts and Department of Taxation proceed with federal treasury non-tax debt setoff program.

*Recommendations on e-commerce disbursements:* Adopt all recommendations as presented by the State Comptroller with the exception of changing the proposal on eVA entry policy on confirming order to charge card transactions under \$200, not the \$300 proposed.

*Recommendations on shared service agency agreements:* Adopt all recommendations as presented by the State Comptroller with these amendments. On the shared service payroll system, *all agencies not currently in the payroll services bureau shall enter into the bureau unless the agency can demonstrate that consolidation is not feasible.* In addition, beyond implementing SLAs, *secretaries should also report back to the respective central services agencies and the CIO on those SLAs.* Finally, *the central service agencies should develop a standard SLA form.*

*Recommendations on fleet management:* The DGS fleet model should be analyzed by those state agencies not currently under the DGS fleet program to determine potential for operations and cost effectiveness. Also, DGS should offer the model to interested local governments.

*Recommendations for surplus property:* 1) Agencies should provide an inventory of all real property assets, 2) An external entity – either another state agency or a private firm – should identify which of those assets should be considered surplus, 3) Review the statutory basis of ownership and disposal of surplus real property, including the funding allocation of proceeds and the possible incentives to move more surplus property off the state's ledger, which could include budgetary charges for idle property, and 4) Better definition of what is surplus and underutilized property on an ongoing basis. The report should provide footnotes of previous Virginia surplus property studies.

*Recommendation on consolidation of Inspectors General:* Consolidating the various inspectors general into one, independent office.

*Other recommendations:*

- Examine state content management in an enterprise manner
- Study the various commodities of government for best practices, identification of current total spend and target goals of reduction in total spend.
- Reduce the usage of 1-800 numbers.

VOTE – The Committee voted unanimously on all recommendations as amended.

Mr. Tillett adjourned the meeting at 3:47.

## **Attachment**

### **Guiding Principles of the Consolidation of Shared Services Committee**

In former Governor Warner's Commission on Efficiency and Effectiveness from 2002, the final report noted, "Virginia state government is not presently organized, even at the highest levels, to operate the basic business functions of state government in the most efficient and effective manner." That and other previous reform efforts in Virginia examined and recommended many of the same issues this current Commission is evaluating. While Virginia continues to justly receive national accolades for her strong management practices and outcomes, the systems and operations at the state level are far from perfect. After hearing from numerous private sector partners on their best practices and those employed in other states as well as opportunities presented from Virginia's own forward-thinking state employees, this committee is recommending several initiatives to better align the operations and administrative services of state government. These are our preliminary recommendations as we expect to continue our efforts over the next several years.

Virginia state government is not broken, but the committee believes greater and stronger steps can and should be taken to break down barriers to efficient and effective practices. Too often, government relies on the status quo with separate and disparate approaches. This silo effect on operations causes inefficiencies, unnecessary spending and burdensome service delivery to the customer, whether the end user be a citizen, a business, a local government or another state agency.

This committee recommends the elimination of barriers to greater connectivity between these important service delivery methods. The committee believes focusing on greater enterprise approaches to these administrative, "back office" systems can achieve significant cost savings, improved delivery and better support to those core functions of government. Many of the areas examined by the committee are necessary components of government that reside outside yet in support of those core functions being examined by other committees.

Transforming the operations of government is not a simple task. Most of the individual recommendations developed by the committee are programmatic in nature. For real transformation to occur and positive results be achieved, these and other programmatic changes must be coupled with dynamic managerial and cultural shifts. Ownership of innovative changes at every level is necessary along with a commitment to full implementation, ongoing evaluation and flexible adjustments to accomplish lasting results.

These recommendations represent a solid beginning to this committee's work on identifying opportunities for positive change. In the future, this committee intends to further evaluate creative and innovative methods and practices to consolidate these and other functions to move Virginia on the path of greater shared service delivery of operations. Seeking out enterprise

solutions is necessary and beneficial, but challenges remain on governance structures, resource allocation and strategic systems development.